

## **How to Make the Low-Powered Incentives Mode of the Public Sector Play a High-Powered Incentive Effect- Evidence from China's Government Performance Management Reform**

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**Abstract** Most challenging is motivating bureaucrats who perform duties during their jobs. Public organizations gain more from low-powered incentives than private sector incentives because of multitasking and lack of rivalry. Political and financial incentives dominate public sector motives, much below private sector incentives. Thus, scholars have concentrated on low-powered incentives to boost public sector incentives. This paper examines performance evaluation scheme-optimized incentive system design and operation. The case study of West Lake District, Hangzhou City, China, shows structure, process, and leadership-based organisational motivation development in performance management reform. The findings suggest that scientifically sound reward schemes necessitate effective interaction between many subjects under the current incentive structure. Transformational leadership defines incentive targets and requires high-quality incentive plans to turn reward plans into organisational incentive power. Performance review employing “classified assessment and classified incentive” can boost incentive power. How subordinate government civil servants view the performance evaluation scheme's fairness will affect their "performance recognition". and organisational incentive. This study improves China's performance-based incentive power system and low-powered incentives. The study indicated that fairness perception strengthens organisational incentives and transformative leadership. The study's district focus may restrict its value. Confirming the findings and studying transformative leadership in other public sectors requires research.

**Keywords:** • public sector • incentive power • performance management reform • grassroots government • transformational leadership

## 1 Introduction

The core issue with bureaucracy is inspiring bureaucrats to do their responsibilities (Rose-Ackerman, 1986). However, low-power incentives are more suited for public organisations than high-power incentives in the private sector due to the absence of competition and multitasking culture in the public sector (Courty & Marschke, 2008). Furthermore, it has been shown that private-sector incentives outperform the main public sector motivations, which are financial and political (Besley & Ghatak, 2003). Consequently, there has been a great deal of interest from the academic community in the research on leveraging low-powered incentives to increase public sector incentive power.

The current research's findings indicate that there are two primary approaches to boosting the public sector's incentive power: (1) enhancing the incentives for individual civil servants' salaries and promotions to motivate them to enhance organisational performance through continuous effort improvement; and (2) enhancing the organization's incentive programme and system to motivate the public sector to increase the realisation of its overall expected results. Nonetheless, research on incentives in the public sector is hindered by the efficacy of individual incentives and the possibility of moral hazard that comes with such tactics for civil authorities. To establish successful incentives for individuals in companies, public management scholars must gradually shift their focus to the study of organisational incentive power, notwithstanding the complexity of designing incentive schemes based on teams (departments). This can be achieved by enhancing organisational incentive programmes and developing creative team (department) incentive programmes (Grout & Stevens, 2003). On the other hand, studies on incentive programmes typically create an index system for objectively assessing performance and making use of performance information to enhance incentives for groups or divisions. It is uncommon to find studies that examine the essential elements and their interactions in order to optimise a performance management strategy and strengthen an organization's incentives. Despite the paucity of literature in this field, we also discovered that team (department) performance fairness may be important to the public sector incentive problem (Klitgaard, 1989). This leaves a theoretical gap that needs to be filled.

The township government of Hangzhou City, Zhejiang Province, China, strengthened the West Lake District's incentive programme by enacting a performance management reform. Township administrations in China follow nearly all directives from higher government entities regarding specific policies and duties under the isomorphic responsibility system of governance. More precisely, the most important incentive system design, the goal management responsibility system, was formerly thought to hold the key to unlocking China's progress (Ashraf, Bandiera, & Lee, 2014). The primary driving force behind it is

that senior government, or the central government, uses performance evaluations as a tool to track how well local governments carry out administrative responsibilities. After that, the central government, or lower government, uses the assessment results to determine how much in performance incentives to give local governments, or lower government, while still having the final say over who gets appointed, fired, and promoted to higher positions (Ahmad, 2018). However, township governments' incentive to put the Target Management Responsibility System into place has been waning as society develops. Its performance review's limitation to standard administrative duties is one of the causes. The evaluation, however, excludes the temporary tasks that occupy 80% of the time and effort of township administrations. Public sector incentives frequently result in "the folly of rewarding A, while waiting for B," as noted by Kerr (1975). According to Kerr, the West Lake District's innovative performance management plan has mostly succeeded in rewarding desired actions by individuals, groups, or departments. The programme is classed based on various public sector work qualities.

Consequently, the following problem is addressed in the government performance management reform case study for Hangzhou West Lake District Township: What kind of rewards could lower-level governments receive from task attribute classification-based performance management? The following are the conclusions: To begin with, previous studies have demonstrated that in Chinese grassroots government practice, the lower-powered incentives encompass both the level of incentive and the importance of certain reward methods; Secondly, the current incentive structure necessitates effective interactions between subjects in order to create incentive plans that are as scientifically sound as possible; transformational leadership plays a crucial role in this regard as it establishes clear objectives and calls for high-standard incentive schemes, which are necessary for the final incentive plans to be implemented and strengthen organisational incentive power; In summary, the perception of fairness held by each public servant in the subordinate government regarding the performance evaluation scheme will have an impact on the organisational incentive effect by influencing the individual's perception of their "performance recognition." Thirdly, a good method to increase the organization's incentive power is to use the innovative "classification assessment, classification incentive" performance assessment methodology.

This research could enhance China's low-powered incentive concept and offer a performance management-based incentive power scheme that works well. By demonstrating how conceptions of justice boost corporate incentive power, it expands on the ideas of incentive theory. Lastly, the study of transformative leadership is theoretically advanced by specific incentive targets. It also partly advances the current incentive theory, insofar as enhancing an individual's sense of justice is required to enhance the organization's incentive power. The last trait

of transformative leadership that has added some theoretical depth to the analysis of these qualities is the capacity to articulate specific incentive targets.

The introduction, the literature review, the research methodology and case description, the theoretical construction and interpretation, and the third section make up the five sections of this work. The last section discusses the main research findings as well as any possible weaknesses in the report.

## 2 Literature review

In the public sector, financial and political incentives are widely acknowledged. When considering the effects of fiscal incentives from the perspective of financial incentives, theoretical research produces erratic results. Fiscal incentives significantly improve the efficacy and grade of services provided by the public sector, according to certain scholarly studies (Burgess, Propper, Ratto, & Tominey, 2017; Gertler & Vermeersch, 2012; Stazyk, 2013; Belle & Nicola, 2015). Purpose ambiguity, which fiscal incentives are known for, has been shown to play no appreciable part in public organisations (Perry, Engbers, & Jun, 2009; Bae, 2023). In fact, they may inadvertently encourage dishonest and illegal behaviour (Dixit, 2002; Chenhall, 2003; Moynihan & Pandey, 2007). For example, in their study on the performance incentive reform of the Brazilian tax department, C. M. Kahn, Silva and Ziliak (2001) found that tax officers would employ illegal taxing practices if they were offered significant financial incentives. Using observational data from 18,800 respondents employed in the public sector across 58 countries, showed a positive correlation between financial incentives and corruption (Navot, Reingewertz, & Cohen, 2016).

Most people agree that public sector incentives are more effective than private sector incentives when it comes to political incentives (Frant, 1996). The stronger ties between public organisations and civil officials contribute to the long-term nature of political incentives (Takahashi, 2006). To conclude, the importance of promotion incentives as easily accessible tools for public institution incentivization is highlighted by political incentives (N. Marco and P. Lorenzo, 2022). According to studies (Deserranno & León-Ciliotta, 2021; Karachiwalla & Park, 2017; M. E. Kahn, Li, & Zhao, 2015), rewarding public employees with promotions based on performance may encourage them to work more and improve the organization's capacity to provide public services.

In other words, Williamson (1985) referred to the incentives that are accessible at higher hierarchical system levels as "low-powered incentives." Numerous studies suggest that low-power incentives are better suited for the public sector. Low-powered incentives are more effective in the public sector because of distributed

ownership, low rivalry, various goals, a range of agents, varied activities, and production that specialises in mission-oriented tasks (Tirole, 1994; Dixit, 2002; Besley & Ghatak, 2003). To demonstrate why low-powered incentives are preferable for the public sector, Pascal Courty and Gerald Marschke created a multitask model (Courty & Marschke, 2008). Since then, an increasing number of public managers have directed their research efforts on enhancing the low-powered incentives mode's ability to strengthen public sector incentives (Dixit, 2002).

Academic research presently focuses on evaluating and developing the incentive scheme or system under the low-powered incentives mode in order to increase the public sector's incentive power (Michel et al., 2017; Horn, 1971). In an attempt to improve the performance incentive system and provide advantageous incentives for individuals, departments, or organisations, performance-related pay (PRP) has been gradually introduced in public organisations and departments across the globe (OECD, 2011). Hasnain, Manning and Pierskalla (2014) Recall that public sector departments perform a far higher number of non-quantifiable tasks than do civil authorities (Delfgaauw & Dur, 2004). As a result, the principal-agent theory provides a more thorough explanation of how incentives are impacted by the agent's difficult-to-observe behaviours. Because PRP integrates observable and unobservable efforts, it remains a valuable tactic for resolving the moral hazard issue (Hasnain et al., 2014). According to Holmstrom and Milgrom (1991), because public sector jobs are complex, concentrating just on observable and quantifiable tasks may not improve performance—in fact, it may worsen it. Thus, optimising the performance evaluation procedure is among the most important strategies for enhancing the incentive structure and generating significant rewards.

Since improving an organization's incentive structure is our main objective, we will continue to focus on research concerning the optimisation of organisational incentive schemes. While it has been shown that motivating staff through organisational motivation works better in the public sector, developing and improving the incentive programme can occasionally be more challenging. Group (2003). The majority of recent research on company incentive plan optimisation has focused on two areas: First, organisational characteristics have an impact on incentive plan design. Simon et al., for instance, examined the UK's "Job Centre+" organisational performance award plan and suggested that it take organisational size into consideration in order to deter free-riding and promote cooperative production (Simon et al., 2017). Second, the study of the "scientific evaluation index" has produced a great deal of theoretical and empirical disagreement as a crucial component of incentive scheme optimisation (Courty, Heinrich, & Marschke, 2005).

The effectiveness of incentives can be enhanced by improving the evaluation indicators, as suggested by scholars (Peng, 2004; Brodsky, 2014; Zhang, Juan, Luo, & Xiao, 2016; Philippe et al., 2019). However, it is important to remember that these strategies focus on improving the effectiveness of incentives from different aspects, such as value, method, and content. According to the task characteristics of public organisations, little research has examined an extensive performance evaluation system that incorporates both observable and unobservable tasks (Bourmistrov, Grossi, & Haldma, 2017). Furthermore, the fairness of performance seen within an organisation may also affect the effectiveness of rewards; this area of incentive research has not received much attention. With the use of a performance management system, this work attempts to give a comprehensive examination of the incentive mechanisms' optimisation logic in certain scenarios.

### **3 Research method and case description**

#### **3.1 Research method**

Single-case studies can successfully add to the depth of research phenomena in a given area and generate new theoretical insights since they offer thorough case descriptions that capture all of the occurrences (Yin, 2009). This article uses a single-case study technique to outline the township government's performance management reform plan in West Lake District, Hangzhou, China, and illustrate how the task-attribution-based performance incentive system works. Hangzhou performance management is the most well-known municipal government assessment technique in China. Effective performance evaluation can improve administrative efficacy and accountability in local government. The reform for township performance management based on work attribute classification is being implemented for the first time in Hangzhou and the entire nation by the West Lake District. This creative solution shows how customised performance management may be used to address administrative issues in townships. The example meets the case selection criterion because it offers novel approaches to assessing local government performance. Consequently, the case meets the requirement for case selection. To overcome the often-cited circular argument problem of public management case studies, we also abandoned the validating case study approach in favour of an inductive case study strategy, which attempts to discover causal processes by following the course of events as they occur (Li, Liao, & Zhu, 2023; Eisenhardt & Graebner, 2007). We construct a comprehensive case description first, followed by a theoretical analytical framework. Using this strategy, we may assess the methods and results of the performance management reform. Finally, we explore the potential contributions of our results to the advancement of existing concepts.

Text and semi-structured interviews are the sources of data used in this study. Our first official interview included twenty executives from the West Lake District's municipal and county performance management departments. The full interview was fully transcribed and expanded into a 120,000-word manuscript with their consent. Second, the contacted township and county (district) governments gave textual data. Reports from the township government's five-year self-examination, programmes for performance evaluation, and ratings and rankings were all included.

### **3.2 Case presentation: The evolution of township government performance management reform in West Lake District, Hangzhou City**

Hangzhou, like many Chinese cities, implemented the target responsibility evaluation system in the early 1990s, gaining national recognition in 2000 for its bottom-up performance management approach focused on public happiness. At the time, the assessment focused on municipal institutions. After inspecting the Municipal Review Office, which handles performance reviews, in late 2007, the Hangzhou mayor advised adding the county-level government to the scope. Since then, Hangzhou has created a performance rating system for each district and county that includes target, leadership, social, and distinctive innovation assessments. GDP growth, investment, and employment are the target evaluation criteria. The municipal leadership team is assessed for effectiveness, decision-making, and leadership against the district and county teams. Polls, feedback, and service delivery measure citizens' satisfaction with government. Finally, characteristic innovation gives districts and counties extra points for winning municipal, provincial, and national accolades for unique achievements or innovations.

As performance management grew, the 2015 Hangzhou Performance Management Regulations employed performance results to promote, appoint, and fire cadres. Township administration performance evaluation was expanded. Hangzhou's performance management exam targeted counties and districts, not townships. Township performance assessments lowered the county government's assessment index, highlighting regulatory framework and initial assessment system issues. Township governments, China's lowest level of government, handle security, environmental protection, and rural development planning in addition to administrative duties. Pressure-based system and responsibility isomorphism in the country. Creating an engaging performance evaluation plan for township governments and public officials is Hangzhou's main performance management system improvement task.



West Lake District leadership began township government performance management reform in 2018. After investigating the townships under its supervision, interviews with township leaders and workers showed the pre-reform performance assessment system's main flaw. Rural town C was unfairly valued relative to investment-friendly town A. Even though Town C won national accolades, its lower assessment system rankings obscured its social stability and ecological building, demotivating cadres with lower year-end performance bonuses. The year-end performance report did not include Town A's mayor's statement that temporary programmes like 'no waste in the whole region' needed to pause everyday administrative operations. Town B's mayor deemed the 'Vote Down' policy, which could terminate all efforts for the year if a production safety incident occurred, inappropriate and demotivating to township leaders.

Agriculture community C is far from the city. Though less desirable to investors than town A, comparing them unfairly. Despite a lack of investment, we have social stability, ecological building, and national honours. Our municipality consistently ranks lowest using the present method. Local leaders are struggling to inspire cadres, who don't comprehend. Our year-end performance incentive is frequently thousands of yuan less than township cadres." Town C mayor (SPZ#1).

Recent years have seen more temporary jobs. The 'no waste in the whole region' obligation requires us to quit administrative work and focus on it. Due to the fact that temporary chores require 80% of our energy, the year-end performance appraisal is erroneous. Town mayor (SDZ#1).

Our town considers Vote Downs worst. Industry runs our town. A factory safety disaster will waste our efforts this year. We focus product safety with company executives but cannot prevent mishaps and unfairness to township leaders." Mayor of Town B (SFZ#1).

The district assessment leadership team created a township government performance review strategy to achieve 'public satisfaction' based on relevant opinions and ideas after a comprehensive investigation. Performance management professionals, academics, and assessed topics were consulted multiple times during the reform process. This collaborative approach yielded a complete, well-informed programme. In 2019, West Lake District launched the new performance evaluation scheme after discussions and planning. The West Lake District performance evaluation team leader said, "Our assessment work is under great pressure in 2019. The largest issue is that we can only incorporate the superior government's annual principal obligations in the evaluation plan at the start of the year since temporary actions are unforeseeable. We assess and evaluate promptly. Later, we will review and

add the score to the year-end assessment (XHQ#1: County government, Director of Evaluation Office).

West Lake District township performance evaluation methodologies improved in 2020 during our field survey after two years of expansion. West Lake District promotes cadres and offers salary incentives depending on evaluation results, unlike in 2020. Groups received excellent, good, qualified, and unqualified scores from the appraisal. Individual merit evaluation was available to outstanding annual township leaders. Annual bonuses grow. Highly qualified township leaders receive 6,000 yuan more in the comprehensive prize. We set one reward per year, thus leading cadre performance bonuses vary substantially for good and unqualified units. County government Deputy Evaluation Office Head (XHQ#2).

West Lake District township government reform programme ideas include:

- 1) Setting defined performance targets and connecting them with duties.
- 2) Adapting assessment indexes for township government functions and adopting "township classification assessment."
- 3) Assessing performance with task attributes and temporary tasks
- 4) Optimising performance information use for incentive effect.

Using theory and examples, we will examine "how to improve the incentive power of the public sector".

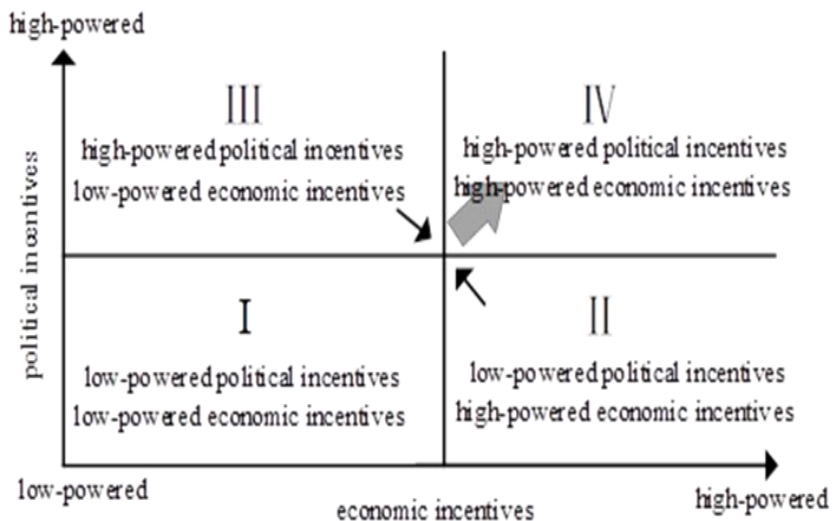
## **4 A Theoretical explanation of public sector performance incentives based on task attribute classification**

### **4.1 Analytical framework**

Numerous studies have demonstrated that the two primary types of incentives in the public sector are remuneration and promotion incentives. It is tacitly understood that the description of a low-powered reward encompasses both incentive mode and incentive intensity, even if this isn't stated explicitly in the research on public sector incentives. Based on this, we integrated the principles of approach and incentive intensity to construct the following four-point diagram model (Figure 1). Chinese government agencies almost never employ inefficient political and financial incentives in Quadrant I. In Chinese public administration, such a combination lacks the motivation to raise performance or achieve organisational objectives. As a result, we avoid becoming too detailed. Quadrant II's combination of powerful financial incentives and feeble political incentives is linked to the routine administrative work assessment. More precisely, most county

governments provide township governments with a substantial additional incentive to regularly assess organisational actions in order to help them win the political war. On the other hand, township leaders and cadres are not promoted by the county governments in accordance with the assessment results. Strong political and limited financial incentives link campaign-style government to the transient task evaluation in Quadrant III. Campaign-style governance involves administrative responsibilities that are continually concentrated and intense, going beyond the standard governance chores assigned by the bureaucracy (Kennedy & Chen, 2017). Its traits—strong political overtones and comparatively low financial incentives—usually result from the national projects that the central government consistently pursues. The long-term, strong financial and low-power political incentives in quadrant II sometimes operate against the motivation of lower-level leaders, especially at lower government levels. On the other hand, the high-powered financial and political incentives in quadrant IV based on task attribute division are the best model for increasing the incentive power of government departments, as the high-powered political incentives in quadrant III negatively impact the motivation of civil servants in lower levels of government organisations.

**Figure 1:** Basic types of public sector incentives



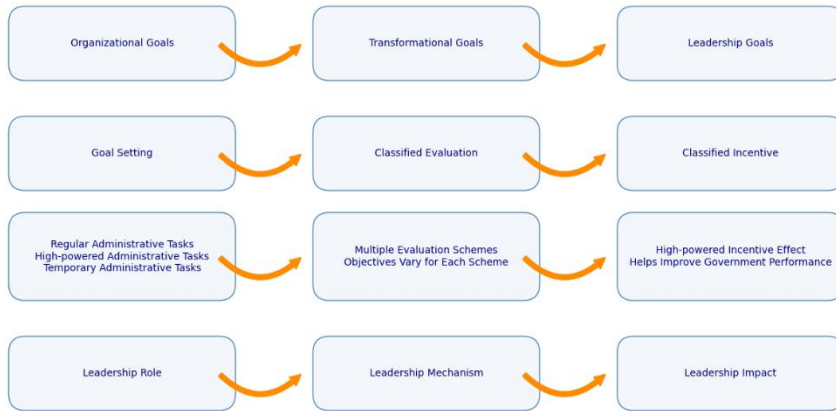
In particular, when it comes to the performance management reform implemented by the West Lake District, the combination of a strong financial and weak political incentive model is primarily intended for routine administrative work. For

temporary assignments, there is a low-power financial incentive model and a high-power political incentive model. The objective of "high-powered financial and political incentives" between county and township administrations can be accomplished once a comprehensive plan combining the two models is put into action. Furthermore, contact between the higher, lower, and social domains of government is a crucial assurance for the assessment program's ongoing improvement. Based on the previously discussed analysis, we have determined that the Structure-Process Theoretical Framework is more appropriate for the study topic presented in this paper. We shall thus use this theory to inform our examination of the issue of motivation in the public sector.

The Structure-Process hypothesis states that: (1) each actor is influenced and constrained by the particular structure, meaning that each actor and their interactions in the governance process need to be carefully considered; (2) the process dimension highlights how the analysis of the microscopic functioning of the acting subject enables additional research into the functioning of the structure; and (3) the structure and process are interwoven. Of these, the ties between the participants are characterised by structure, while the interactions between various actors on issues like power struggles and resource allocation are portrayed by process (Chen, 2023). For example, in the West Lake District, successful incentives from higher-level to lower-level governments that support the efficient governance of the social system and enhance the performance assessment programme depend on the township and county (district) governments having effective communication with each other. However, bureaucracy allows knowledge about the social system to get to the top levels of government, which unintentionally affects the government's organisational objectives. Hence, the county government, township government, and rural society make up the "structural" part of the incentive system. When enhancing incentive programmes, the "leadership dimension" should be taken into account as well, since transformational leadership and leadership support are critical for promoting performance management reform.

Based on the above analysis, we constructed a three-dimensional analysis framework of "structure-process-leadership" (Figure 2), which explains how grassroots governments can improve their organizational motivation by enhancing their performance assessment programs in the context of internal and external interactions. We will further explain the framework in light of specific cases.

**Figure 2:** Performance incentive analysis framework based on structure process-leadership



## 4.2 Structure-process-leadership: West Lake District performance-based incentive power improvement logic

### 4.2.1 Organisational goal setting with control and feedback mechanisms

The county government, the township government, and the rural community at large comprise the structural component of the township government performance award. Together with the bottom-up feedback mechanism and the top-down management system, organisational goals are set. The county government, the township government, and the rural community at large comprise the structural component of the township government performance award. Together with the bottom-up feedback mechanism and the top-down management system, organisational goals are set. Furthermore, whereas the top-down management system is associated with inter-subject links, the top-down feedback logic is tied to local government rivalry. First, given China's authoritarian regime and isomorphic system of obligations, township governments are the last arbiters of duty performance. This suggests that lower-level governments have an obligation to fulfil all administrative duties assigned by higher-level governments. In order to guarantee the successful completion of the higher-level tasks based on the

assessment results and the efficient implementation of the central government's policies, the higher-level government (provincial, municipal, and county) will develop specific assessment indicators and sign a Target Management Responsibility Agreement with the lower-level government at the beginning of the year. Village committees act as a liaison between rural communities and the government; they are not empowered at the local level. Authoritarianism enables the township government to enforce rules and retain higher-level control over local cadres. The hierarchical organisation of the township's village committee functions is made evident by this control mechanism.

"The township's work directly affects the citizens, and in order to achieve effective village governance, we occasionally assign some of the tasks to village cadres and provide them with encouragement to finish them." SDZ#2: Town B's Office Director Second, the bottom-up controlling mechanism represents the original logic of local government governance and motivation. In that case, the top-down feedback system reflects the unique behaviour logic of the West Lake District in trying to win the competition amongst local governments. According to relevant officials (XHQ#3: County government, Vice Chairman of the County People's Congress), "Our district won the municipal government's performance assessment last year because of our performance reform programme, which was representative of the province's innovation and reform programme." Our district won first place in the local government performance evaluation the year before because our performance reform aim matched the province's reform and innovation plan (XHQ#3). The West Lake District has demonstrated initiative and commitment in its statements. This illustrates how performance management reform increases interregional competitiveness. Change is only possible when there are contentious issues. The leaders of the West Lake District performance evaluation project include input from lower-level governmental entities to improve the assessment process. When determining the organization's strategic deployment, they also take into account concepts for rural development and perspectives from the social system. We had previously discussed our wish for a new, fair performance assessment system with the township council on several occasions. The viewpoints of the general population and town leaders are equally important. According to the Deputy Head of the County Government's Evaluation Office (XHQ#2), our efforts provide citizens with a forum to voice their concerns and have their recommendations integrated into the performance rating system, much like when they watch politics on TV. The West Lake District defines "seeking the route for change" as supporting generally accepted public values. Furthermore, research has shown how crucial information feedback is to the creation of organisational goals (Krenn, Würth, & Hergovich, 2013). In order to actualize public ideals, whether between governments and social systems or between grass-roots governments, value consistency among organisations and individuals can be established through multi-objective communication (Edwards

& Cable, 2009; Meglino et al., 1989). Employee commitment to their organisations is higher in the public sector as a result, and defining and comprehending more precise organisational goals across a wide range of subject areas is made simpler (Bao & Ge, 2019). Moreover, our results support the hypothesis that there is a positive correlation between organisational success and relatively well-defined organisational goals (Locke & Latham, 1990). Saying, "It is easy to explain the objectives of the organisation to others," is one of the simplest methods to show that a company is clear (Pandey & Wright, 2006). "Satisfying the citizens and completing the tasks of the superior" is the primary duty of the township or district government, according to the vast majority of interviewers in our poll. "We are the only city in China to have received the title of Most Happiest City for 15 consecutive years, and this is directly related to the people's satisfaction-oriented performance evaluation system," according to the announcement. (XHQ #4: A national government civil official)

#### **4.2.2 Structural perspective: Control and feedback mechanisms under organisational goal setting**

Four essential components go into creating a performance incentive programme based on work attribute classification.

Factor 1: The category division of the assessment object.

Organisational type distinctions are important for optimising incentive programmes, according to scholars working to boost incentive power in public businesses (Simon et al., 2017). In our case, the "category-performance-motivation" logical relationship is implied. Based on the various functional functions that townships play, West Lake District separated "11 towns and streets" into two groups in order to build a more advanced performance management system. Additionally, they created original assessment index systems. We divided townships into several groups and created a number of assessment techniques to do classification assessment as differences in resource endowment and geographic location are objective. (XHQ#2: Deputy Head of the Evaluation Office, County Government) Another significant way to verify the fairness of the incentive process is to create a classification assessment for each of the numerous subject categories that are being examined, and then implement a classification incentive based on the assessment results. "In the past, we rated every township collectively, irrespective of how differently they functioned. Every year, the township in the centre receives more benefits from the town than we do and is ranked higher. Is it really that much labour to accomplish the identical administrative chores in two townships? However, we can't really draw in as much investment as their town (A town) because we're an agricultural town (C town). Town C, an official (SFZ #2). "After the reform, the task of economic development is much lighter and more

equitable, but our social management tasks are heavier." (SFZ#3: Civil servant, Town C).

Factor 2: Incentive intensity matching based on task attribute classification.

Job qualities should be rewarded differently. Chinese government agencies are motivated differently because they perform both administrative and campaign-style governing duties. Everyone understands the Target Responsibility Management System has concentrated on GDP. Legal administration and environmental governance grew with China's economy. Most cities outside Hangzhou have room for economic development measures in their assessment systems. Path dependence is a major factor in administrative task assessment, which uses GDP, investment, and population poverty reduction. The new metrics "are usually treated as full marks, the main reason being that these non-economic indicator data are usually assessed in the form of material scoring, and at the end of the year, the required written materials will assess each township are prepared, it is difficult to have a significant gap." Official Town A SPZ#2 This argues that high-power financial and low-power political incentive techniques should use plainly observable metrics. Campaign-style governance replaces administrative responsibilities with high-power political incentives, preventing local governments from prioritising economic growth above public services. This safeguards public services against local government profiteering. Whether "high-powered financial + low-powered political," the organization's incentive force is low. Oddly, the assessment results do not affect unpaid work or cadre promotion. "High-powered + low-powered" incentives can become "high-powered + high-powered" with the assessment system, improving organisational incentives. The following section illustrates.

Factor 3: Innovative performance assessment programs.

A comprehensive evaluation index system was created by West Lake District to accomplish the optimal incentive mode of "high-powered political+high-powered financial," by balancing the two jobs' assessment findings into the year-end performance. At the start of the year, performance assessment indicators are designed using two main criteria: Inform township governments of economic indicators. Based on objective economic data from the previous year, functional departments will confer with township governments to guarantee this year's figures are achievable within their capacity. They will also create annual development goals and particular assessment indicators. County, Evaluation Office Director "If the superior government temporarily assigns tasks not in the planning, we will prepare for the evaluation and try to include all major annual tasks in the assessment." County official (XHQ#5) Second, perceptual measures may be the only means to collect performance data (Shea, Cooper, De Cieri, &



Sheehan, 2012; Meier & O'Toole, 2012; Singh, Darwish, & Potočnik, 2016), so “We mainly adopt three methods: leadership evaluation, mutual department evaluation, and citizen Town B civil servant (SDZ#3) “We include temporary tasks in the assessment, but it cannot be exhaustive. We improve these three subjective evaluations to make up for the assessment gap caused by excluding a few temporary employees. County civil servant (XHQ #6). Performance information consumption is essential to performance management system efficacy.

Thus, combining administrative job assessment findings with assessment object classification may increase organisational incentives. Perceptual assessments also increase public employees' evaluation fairness and performance-improvement practices (Carmeli & Tishler, 2004).

Factor 4: Sufficient use of performance information.

Swiss (2005), and Boyne and Chen (2007) found that performance information boosts incentives. Public sector performance management is problematic when performance information is not used, used sparingly, or used for representation. Year-end performance bonuses were primarily based on our evaluation results before the change. SDZ#3: Town B, office director, After the reform, our assessment will be linked to the township's performance and bonuses, and if performance is poor for two years, town leaders' promotions will be affected. County official (XHQ#7)

According to the West Lake District performance management reform, "Since the new township government's performance assessment programme started in 2018, our performance wages have increased significantly." Every year when we were last, we told ourselves and our subordinates we served the people as communists. With a respectable end-of-year paycheck, we're more motivated than before the reform." It reveals that the categorization evaluation and reward performance management reform programme transformed the public sector's "low-powered + high-powered" single-task incentive strategy. The use of performance data can enhance an organization's incentive.

#### **4.2.3 Leadership dimension: Essential components of enhanced organisational incentive power**

Developing innovative incentive programmes and turning them into tangible incentive outcomes requires transformational leadership. Their vital leadership function mostly manifests as follows:

Key role 1: As a setter of clear incentive goals.

Determines incentives. Transformational leadership and clearer organisational goals are well-studied (Locke & Latham, 1990; Paarlberg & Lavigna, 2010). Few studies show that transformative leaders can create specific reward targets to improve performance evaluation and organisational incentive power. West Lake District mayor's incentive aim, "It is different if you do or not, more or less, good or bad," inspired the performance assessment office's classification evaluation and reward programme. County Government Evaluation Office Director (XHQ#1) commented, "When we planned to reform township governments' performance management programmes, our former district governor made it clear that the programmes could only reflect township differences to make the assessment fair. Excellence in performance management demands transformational leaders' incentive targets.

Key role 2: As a demander of high-standard incentive scheme design. Transformational leaders motivate their people by clearly communicating their goals (Bao & Ge, 2019). The West Lake District's performance management division looked at the higher-ranking officials' incentive goals. Our former district governor, upon verification, suggested an all-encompassing plan to ensure its efficacy. XHQ#1: County government, Director of Evaluation Office) made numerous insightful recommendations, one of which was to classify township governments to help them achieve their goals. Transformational leaders want excellent incentive programmes that support employees in developing scientific strategies.

Key role 3: As a guide to connecting individual and organizational interests.

Transformational leadership aligns organisational and human interests (Bao & Ge, 2019). The West Lake District's innovative performance management reform plan encourages public employees to complete their superiors' tasks and recruits executives. Township government cadres demand wage rises and promotions, and the incentive plan can help. Second, employee-company value congruence drives them (Jensen, Moynihan, & Salomonsen, 2018). Transformational leadership can motivate subordinate governments by changing their values and attitudes (Podsakoff, MacKenzie, Moorman, & Fetter, 1990; Wright, Moynihan, & Pandey, 2012). Hangzhou's administration values "people's satisfaction". Xihu District's performance appraisal scheme has changed lower-level government and public servants' values to people's enjoyment.

Key role 4: As a model to inspire other public employees. Transformational leaders inspire followers to adopt the organization's principles (Bandura & Walters, 1977).

"Our district head or deputy district head will lead some bureau directors to visit our town once a week (sometimes on weekends) so residents can directly address their problems," to prevent secrecy. We should work hard on weekends to solve people's problems like leaders." Town A civil servant, SPZ #3

Transformational leadership increases performance information consumption (Moynihan, Pandey, & Wright, 2012), implying that improvement must be incentivized.

## 5 Conclusion and discussion

Improving government incentives is a demanding intellectual task. This paper highlights three major performance management reform case study implications that need further discussion. The first is the West Lake District's motivating programme.

First, the incentive system's scientific, egalitarian, and sophisticated nature depends on participants' interactions. Transformational leadership as a setter, demander, organiser, and role model is needed to strengthen organisational incentive power. The performance evaluation system is the main study topic for improving the public sector's incentive capability and organisational incentives, according to the literature. Our example shows how important it is to improve the assessment system to maximise incentives.

Research on the interaction of numerous themes in setting organisational goals and scientifically building the assessment index system yielded rich data. Various themes must interact to create organisational incentive goals. Performance management itself justifies performance awards. Thus, before evaluating, we must set clear motivational goals when organisational goals are translated into performance targets. We also believe that reward goals based on multi-subject interactions can meet the evaluatee's needs from the original performance evaluation programme, helping public employees achieve their aims. The current study shows that transformative leaders like Westlake mentor people towards personal and organisational goals and serve as role models for other public officials. Further research is needed to see if this innovative type of transformative leadership can create clear inspiring goals and requires top-notch motivational programming. Second, "classification assessment and motivation," based on public sector task attributes and classification targets, can improve performance management and public sector organisation motivation when combined with efficient performance information use. Fairness is promoted via "classification assessment, classification incentive". More research is needed on "classification assessment, classification incentive" as an incentive method.

## 5.1 Practical implications

Performance management recognition and incentives were inadequate before the change because the performance evaluation scheme was unrealistic. We think grassroots government employees' views on performance management programme fairness affect "performance recognition" and motivation. These perspectives can improve performance management systems, thus more research should quantify and corroborate them. Practical study implications. First, the public sector must consider lower-level governments and residents when setting performance and reward targets and improving the performance evaluation plan. This inclusive approach sets realistic, achievable, and participant-focused performance goals. Stakeholder participation boosts public enterprise performance management relevance, acceptance, and incentives. For more nuanced and effective performance evaluation and motivation augmentation, "classified assessment and classified incentive" systems must account for various assessment elements and administrative operations. The assessment is fair and tailored to organisational duties. Fair appraisal motivates organisations. Thus, fair and honest communication with lower government is necessary for appraisal equity and openness. Public sector performance can improve with better incentives.

## 5.2 Research limitations and future recommendations

We have two major research limitations: Hangzhou's Xihu District was first. Performance management reform is crucial to understanding public sector motivation, but our findings may not apply elsewhere. Emerson, Nabatchi and Balogh (2012) suggest testing additional theories and introducing similar circumstances to strengthen public sector incentive conversations. Our findings will be more useful and robust after this expansion. Performance evaluation programmes promote fairness, according to this study on government incentives and industry incentives. Other hurdles may hinder performance management programme enhancements and corporate incentives. Future research should incorporate more government conditions to generalise. Multiple scenarios show researchers how settings and administrative systems affect performance management gains. Finally, understanding government-wide organisational incentives can illuminate their effects. The complete performance management and organisational motivation strategies include fairness assessments. These assessments should evaluate performance evaluation programme fairness and other employee fairness aspects. Future studies may give more comprehensive solutions to increase organisational motivation and performance, ensuring incentive systems function across government levels and contexts.

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